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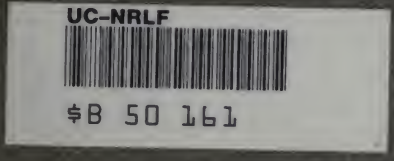

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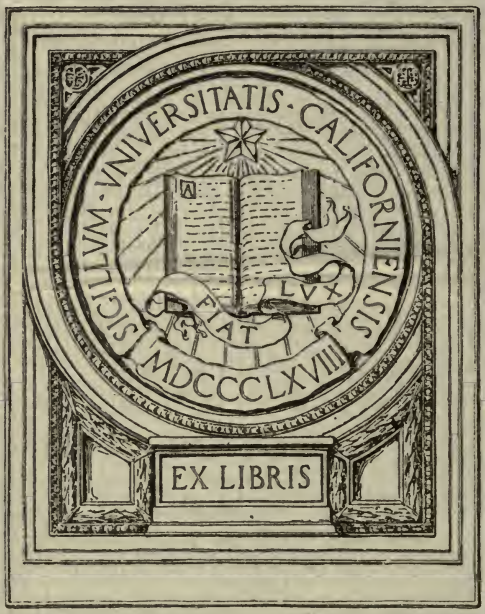
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LEWIS-SYLVAN DEBATE

ON

GOVERNMENT OWNERSHIP OF TELEPHONES AND TELEGRAPHS

HC 7/23

Giving Speech of Mr. T. P. Sylvan, Assistant to Vice-President, New York Telephone Company, in Debate with the Hon. David J. Lewis, Representative from Maryland, before the Providence Economic Club, Providence, Rhode Island, April 22, 1914.

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FOR
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AGAINST
PUBLIC OWNERSHIP

American Telephone and Telegraph Company
Commercial Engineer's Office
New York

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Following is the address of Mr. T. P. Sylvan, Assistant to Vice-President, New York Telephone Company, in a debate with Congressman David J. Lewis, of Maryland, held before the Providence Economic Club, Providence, Rhode Island, April 22, 1914. Owing to the limitation of time, a number of quotations given here in full were merely referred to in the abstract in the actual delivery of the address:

Mr. President and Members of the Economic Club:

I trust you will bear with me because I have got somewhat of a cold, but I shall try to make myself heard. It is indeed a pleasure to come to a gathering of this kind and see so many people interested in this subject, because, from my way of looking at it, all that we need is a careful consideration of this question. Like Mr. Lewis, we too, are content to appeal to the good sense of the people. We have got to approach this thing in a calm and deliberate manner. There is no necessity of becoming excited. The country is not particularly suffering in the meantime.

No Stockholders' Brief

I do not come here tonight with a brief for the stockholders of the Bell System. Our organization, as Mr. Lewis himself has stated, in his address before the Republican Club in New York City last January, is one of the few in the country whose securities are free from water or inflation.

His words were:

> "Be it said for the Bell System that it is the one great corporation in our country that has not issued tons of counterfeit capital. Its stocks and bonds to-day represent the actual contributions of its shareholders in money to a great common enterprise, and we will not have that unfortunate circumstance to deal with in the valuation of their properties."

The capitalization of the Bell System is based upon honest investment, and the actual value of the property is considerably in excess of the par value of the securities; so that if, after a calm and painstaking investigation, the Government should decide to take over the property of the Bell System, it would have no trouble from that score, nor would the stockholders suffer any loss save the temporary inconvenience of reinvesting their funds, which would be returned to them intact.

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Legal Objections Not Considered

Nor do I approach this subject from the legal standpoint. To be sure, the legal problem involved is by no means unclouded, and presents a number of very grave questions whose determination is far from simple. Are the State of Rhode Island and the City of Providence, for instance, ready to give up their control and supervision over so important a part of their affairs as the telephone, and allow the Federal Government to step in and silence their authority forever, eliminating, at the same time, the important source of revenue from taxation, which is now being derived from the telephone property? However, I do not propose to take up this and other similarly important questions, because, I am sure, a consideration of the purely economic aspects of the subject will decide this case in favor of the present system of regulated private ownership, and make unnecessary the consideration of the legal or other objections.

Efficient Service the Main Question

I approach this subject from a far broader point of view; from the standpoint of service—efficiency of service. That is the basis upon which this whole matter of government ownership must be settled. And when I say "efficiency," I mean, of course, the quality of the service and the price of the service, for, after all, these are the questions in which the public concerns itself in its attitude toward the telephone.

Now in this question of efficiency of service, the interests of the public, of course, very properly take first place; and we, the employees, —for I number myself one of an army of 150,000 who are serving the public in this matter—must necessarily take the second place. From my way of looking at this telephone proposition, it is not a question of ownership so much as it is a question of the organization itself—a great big machine that is serving you to-day; and that machine consists of this army of employees, and anything which will make that machine more efficient and which will permit it to work more efficiently and more economically than it does to-day, is to be commended, but anything which will make that machine run more slowly or with more difficulty, must be discarded. To show how important a factor is the personnel of the organization, as distinguished from the owner—the stock and bond holder—I might mention that the Bell System to-day pays out, in the form of salaries and wages, 50% of the money it receives from the public, and the amount paid out in the form of interest and dividends represented, during the last year, but 4.92%—less than 5%—upon the actual plant in service. Now, I say, gentlemen, a lot of credit is due to great men like Mr. Vail—and Mr. Lewis is willing to and does give him a measure of that credit—when you stop to think that, in reducing this interest charge to 4.92%, he has done so by taking advantage of the credit of our Company. More than $26,000,000 has been turned into the treasury of the American Telephone and Telegraph Company by the use of convertible bonds at times when our credit warranted getting prices in excess of par. It is by this

means that we have been enabled to cut down the interest charges on investment to the low figure of 4.92% on the value of the plant in service. While it is true that 8% is paid on some of our securities, less is paid on bonds and other securities, and nothing at all on the $26,000,000 just mentioned.

Public Service Motive Qualified

Mr. Lewis lays great stress upon the "public service motive" as distinguished from the "private service motive," and attempts to show how the "public service motive" has dominated the administration of the Post Office Department. Now I say that the "public service motive," in its narrower sense, which absolutely ignores questions of cost or distribution of cost burden, is inherently wrong, and I am glad that our present Postmaster General, unlike Mr. Lewis, has had the discernment to temper and qualify the "public service motive" as he did in his last annual report, when he brought out the fact that the experiment of free mail delivery in villages had been abandoned, because he found that more just and equitable results could be obtained by having the people call for their own mail, rather than having the underpaid carriers bring it to them. On page 34 of his last annual report, the Postmaster General says:

> "The results attained during the year are believed not to warrant the continuance or extension of village delivery. There is no such need or demand for free delivery of mail in small towns and villages as there is in cities and rural districts, and its establishment does not occasion any appreciable increase in the use of the mails. An economical administration of such a service would require the limiting of delivery in nearly every instance to one a day and the employment of carriers at salaries lower than those paid to city and rural carriers. Such service is regarded as inferior by the patrons, who in such communities live near the post office and are in the habit of calling two or three times a day for their mail. The low salaries of the carriers, moreover, would not conduce to efficient service."

Public Insured Proper Treatment by Regulation

On the other hand, the so-called commercial motive, in its narrowest sense—in the sense that it looks merely to the immediate profit and disregards those considerations of public service which make for permanency and secure the establishment of good will—is equally wrong. We, and all other progressive concerns, have long since learned that our most valuable asset is not an immediate and excessive profit, dictated by any narrow or selfish policy to which Mr. Lewis refers in his exposition of the "private service motive," but a continuous fair profit, and a contented public. A significant factor, however, which Mr. Lewis, in all his remarks, seems to have ignored, is that the public itself has recognized this principle, and, instead of leaving it to the good sense of the corporation to enforce it, has enforced the principle itself; has instituted a system of proper public regulation of utilities, to the end that there may be a blending of the "public service motive" with the "private service motive," whereby the best results can be and have been most happily obtained. The public has taken up, if you

please, that principle which Mr. Adams pronounced way back in 1887, and which Mr. Lewis appears to have only just discovered, and has said that these large institutions that serve the public must not be left unregulated. The public has not taken it up as a measure of ill-will toward the companies, nor as any evidence of a crying necessity, but with the idea of equal protection to public and public utility alike. It said, in substance, "We are going to protect the utilities in the exercise of their functions, so long as they properly serve the public." In practically every State of the Union to-day, we have these regulative bodies as a part of the fundamental law. As an instance of protection to the utility, you have got to prove "public necessity" to the Commission, before you can enter a field already served, in the proper meaning of the word. As an instance of protection to the public, you have the Interstate Commerce Commission, with its tremendous power, illustrated to-day in its control of the railroad situation, with the railroads appealing for an increase in rates—not a cent of which can be granted without the approval of the Commission.

Now, I say that the public has taken this matter in hand, and decided that these public regulative bodies shall first be considered and consulted, before the utility can take any step affecting the rights of the public. They can be made use of by every citizen. There is absolutely no red tape. You do not have to employ an attorney. You write a letter and get a hearing. And that is all there is to it. The Commission sits as a public tribunal and metes out justice in exact proportion as is merited by the complaint.

So that, in all this talk about "public service motive" and "private service motive," we must remember that the public has recognized, and has enacted into its fundamental laws, the principle that a "public service motive" which runs counter to good business sense, which ignores questions of price and cost, (without which you cannot determine how efficiently and economically your property is operated), is just as wrong as the "private service motive," which recognizes immediate profit, and that alone.

Furthermore, we have something to-day that I am glad we have, and that is potential competition, and it is something that the people want, and must retain, because I can conceive how there may come a time when a utility, governmental or private, by reason of a change in personnel, may lose public support and confidence. In such a case, under our present laws as they stand to-day, the public has recourse to the ever present competition which may be changed to actual competition when the community feels that matters have come to such a pass as to make such a change desirable, and this potential competition is one of the strongest weapons which the public has to defend itself against any such emergencies as may arise in the course of time.

Regulation Should Be Given Fair Trial

Now, the only way Mr. Lewis or any one else can ignore this question, is by saying, fundamentally, that regulation has proven a failure. And how can any man in this country, with regulation prac-

tically a new thing, take that stand? To adopt this stand, one must entirely ignore the present tendency of our administration; must say that all the efforts now being directed by the public in improving and strengthening our machinery of public regulation are purely so much wasted effort; that Congress, itself, is wasting the public funds upon a fruitless task in its work, begun a short time ago, through the Inter-State Commerce Commission, of undertaking the valuation of all telephone and telegraph companies in this country,—a task which the Commission is now engaged upon, and for which a great deal of time must necessarily be expended. To take such a stand, one must be ready to condemn the whole scheme of public regulation at its very inception; declare that, although in its formative stage, it has failed in its mission. That is something I cannot understand. Mr. Lewis knows that in his own home State, the Public Service Commission is to-day engaged in a state-wide rate investigation, to determine upon the propriety of the scheme of state-wide telephone rates, and that the same is being done in the State of Pennsylvania, and elsewhere, and that an honest effort is being made, with the cooperation of the Telephone Company and the Public Service Commission, to determine upon a fair valuation, and to reach an adjudication of what is a proper and reasonable rate for reasonable service. On the part of the Company there is nothing but an honest effort to submit to a question of justice, nothing but the laying of the cards on the table so that the public may see and judge, and, on the part of the Commission there is nothing but a painstaking and scientific effort to base action upon knowledge, and knowledge alone. Will Mr. Lewis say that all this is idle and fruitless?

Complete Unregulated Monopoly Proposed by Mr. Lewis

But if we change all this—change our fundamental and painstakingly worked out plan, which the public, in its wisdom has set up—where do we land? We not only lose this scheme of control and regulation—but see what we substitute. Not long ago, the Attorney General, with a great deal of pride, pried apart the telephone and the telegraph on the sole assumption that those two were competitive services, and should not be under one head. This cost the American Telephone and Telegraph Company a good deal, but, as decent citizens, we obeyed the order without protest. We separated. And the President of the United States came out in a hearty public commendation of this action. Now comes our friend Mr. Lewis and seeks, not only to re-unite the telephone and the telegraph into one agency, but to amalgamate the two with the postal service, so that the three agencies, which, according to the views of the administration, are to-day in a measure competing—and I might say competing in the sense that to-day you have the choice open to you to send your communication by first-class mail, telegram or telephone, as you please—these three conveniences are to be lumped together into one service, and what was wrong on the part of private companies, is to become right on the part of the Government. You are to have absolutely no chance for protest or appeal to commissions or

courts. If you are dissatisfied with the mail and want to use the telegram, you go to the Government; if you are dissatisfied with the telegram, and want to use the telephone, you go to the Government; and if a condition of public service arises where, from a series of accumulated abuses, the public is seeking relief, nothing short of a political revolution will secure the necessary attention.

Deliver Us From Politics

Gentlemen, I have worked for many years in telephoning, and I have never yet had my "boss" ask me what my party was or which way I intended to vote. I tell you it is a serious matter if we are to add to the many questions before the public to-day, such as the monopoly question, the tariff question, the money question, and many others, on top of them the question of local telephone service—of your telephone service, for instance, here in Providence. So that you find yourself in a situation, say, where, if the man whom you have sent to Washington to represent you because he stands for all you hold dear on questions of tariff, does not happen to suit on the post office and telephone proposition, you have just got to take the telephone and let the tariff go, or take the tariff and let the telephone go. To say the least, this is an exigency which may arise if the Government of the United States claims a monopoly on all means of communication.

Present Conditions Right

Now I say that, in the face of present conditions, Mr. Lewis and everybody else must acknowledge that rates in this country and conditions of telephone service are right. If they are not right, he has access to the Interstate Commerce Commission, and practically every State commission in the country, to see that they are made right. This is not merely his privilege, it is his duty as a citizen and it is anybody's duty that has any complaint against telephone rates or telephone service, to go before the Commission to secure a proper determination of the matter. So I say I do not care what comparison Mr. Lewis makes as to foreign rates, the rates here should be assumed to be right until otherwise determined. They have been filed with the Commission by the Company, and the Company stands ready to-day to meet any criticism manfully and fairly and to make or accept any change or provision that is proven just and reasonable. Now, gentlemen, remember that in your public service regulation you have been clean, fair and decent. You have insisted that whatever action is taken shall be taken only upon thorough investigation, to the end that no action shall be taken except as it is preceded by exact knowledge. You have said that our earnings shall not be based on water, on error, mistake, on inefficient management or excessive cost, but that they shall be based upon the fair value of the property *used* and *useful* in the service. Can any one claim a basis fairer than that for rate making?

Public Approve Service

Not only are telephone rates and conditions of service as they should be, sanctioned by the public, through its regularly constituted public service tribunals, but the public has shown, by the best test possible—the use of the service—the extent to which the telephone service has met with its approval. I mean by this that when it comes to development, the United States is so far in the lead over countries where government ownership obtains, that comparisons of telephone development are almost laughable. You will remember very clearly that Mr. Lewis made the statement just before he sat down that it was our great and noble general, Theodore N. Vail, who laid down the slogan for his army to follow, that he would not rest content with the development of our telephone service until there was a telephone in every man's house. That was the slogan of our system long ago; that is the goal we have been trying to reach for years. That is to-day our aim, and I propose to show you that we have come nearer to this goal than any other country on the face of the earth.

United States Telephone Center of World

There are, to-day, in this country, upwards of 9,000,000 telephones. The United States, with less than 6% of the world's population, has more than 65% of the world's telephone development. Europe, with four times the population of the United States, has less than one-half the number of telephones. Not so bad, Mr. Lewis, for private enterprise.

The United States, according to the census just published, has nine telephones per hundred inhabitants, and has gained, during the last year, nearly as many stations as Great Britain has to-day in its entire system. Great Britain, by the way, has 1½ telephones per hundred inhabitants, or one-sixth of our telephone development. Germany has two telephones per hundred inhabitants; Netherlands two telephones per hundred inhabitants; Switzerland two telephones per hundred; Belgium four-fifths of a telephone per hundred; France four-sixths of a telephone per hundred. The entire country of France has about the same number of telephones as we have in New York City alone. Not so bad, Mr. Lewis, for private enterprise.

United States Service Diversified

And, mind you, this development has not been obtained by skimming the cream off the milk, as has been done by governments in the foreign countries, under the "public service motive." Let me show you how we, actuated, as Mr. Lewis would say, by the modern "private service motive," have taken care of the outlying and rural districts, as well as our big cities. There is a gentleman with me here to-night who formerly worked in Indianapolis, and who, years ago, tramped through Indiana, and his sole mission was to open up outlying sections and to establish rural telephone business long before the Post Office Department thought these sections worthy of rural mail routes. And, mark

this, Mr. Lewis, in the United States, with our so-called "private service motive," 19½% of our exchanges have from 50 to 100 stations; 25.8% have from 100 to 200 stations, and 13.1% have from 200 to 300 stations. In other words, about 60% of our telephone development is to be found in exchanges of 300 stations or less. Compare this, if you will, with the urban and rural development of foreign governmental telephone systems, where the average rural development represents but 21.2% of the corresponding urban development. How about this, Mr. Lewis, as an example of your "public service motive?" Why, in our State of Iowa, which is highly rural, the density of development is greater than in any other part of the United States. How about this, Mr. Lewis, as an example of your "private service motive?"

Universal Service Slogan

Now we have been accused—not by Mr. Lewis, I am glad to say, but by some of his friends—that we have been remiss in connecting with other companies. I want to say that for fifteen years I have been out making connecting contracts with other companies, and now, as a part of our scheme of universal service, which some thoughtless people have mistaken for monoply—which we have never desired—I say we connect with nearly 3,000,000 stations operated independently and not controlled by the Bell Company. We have been striving, as I say, for universal service, not universal ownership. The song Mr. Vail has sung from the start has been "universal service;" in other words, one system, the idea being that every telephone in the United States may be the center of a system, and that isolation shall be wiped out as rapidly as is humanly possible. Through the aid of our friend, the Attorney General, this movement, in the direction of one complete system of universal service, has received a new impetus by the new arrangement agreed upon for connection with the so-called competitive exchanges. We shall soon, therefore, realize the grand spectacle of one system with universal service to more than nine millions of telephones. Not so bad for private enterprise.

Relative Use of Telephone a Good Test

Now with nine million telephones in service in this country, Mr. Lewis will have to admit that we have a pretty fair basis of comparison with foreign countries, and I am afraid Mr. Lewis would find it rather hard to fit this condition into his theories of "public service motive" and "private service motive." But this is not all: you can talk as much as you please about figures and foreign lands, but there is one comparison which, to me, seems very significant:—when considering first-class mail matter, telephones, and telegraphs as alternative means of communication in Europe, what do we find? We find that in Europe 71.2% of all such communication travels by mail. The corresponding figure in the United States where competitive conditions prevail, is 39.4% by first-class mail. And when we come to the telephone, we find that of the total communications in Europe, 27.3% go by telephone. In the United States the percentage of total communications that go by

telephone is 60.2%. Not so bad, Mr. Lewis, for the poor despised "private service motive" telephone. After all, Mr. Lewis, it is service that counts; not theories. The proof of the pudding is in the eating—is it not, Mr. Lewis?

There is one more point about Mr. Lewis' theory of "public service motive" and "private service motive" that I should like to touch upon, if I had time, and that is Mr. Lewis' example of the Chicago and Milwaukee rate case. I am rather surprised that Mr. Lewis should have mentioned this case again, in view of the fact that he must have seen how utterly unfair this example was, if he read the last annual report of President Vail. Here is the true story, as it appeared in President Vail's last annual report, of The Chicago & Milwaukee Telegraph Line, which Mr. Lewis picked out as an example of the viciousness of the "private service motive":

"The Chicago & Milwaukee telegraph has been set up as an example of the evils of private operation. Why this single line of some fifty miles in length should have been selected is difficult to understand. Any line situated under such favorable conditions, doing business only between two large cities, should and could be operated at rates which could not apply to lines or systems which take business from and to all points, *while the peculiar conditions* under which this particular line operated put it absolutely outside of comparison whether with other lines or with any system. The history of this company is well known, and if not known to those who have used it as an illustration, it could have been obtained with little effort.

"Built in 1878 by some linemen as a speculation, it was sold to some members of the boards of trade of Chicago and Milwaukee and incorporated with a stock of $50,000. *The business of this line was confined almost exclusively to messages from floor to floor of the two boards,* to news service and to leasing private lines. While it accepted other service, *it had no organization to, and did not deliver or collect messages except by telephone.* The company apparently made large profits, but it must have been at the expense of maintenance and depreciation, for later on the company was reorganized with a capital stock of $50,000 and $50,000 of bonds, and the lines reconstructed. This new company operated until 1905, *when it went into receivership* and the lines were operated by the receiver until 1907, when it was offered for sale, and the Chicago and the Wisconsin Telephone Companies needing additional lines, purchased it in connection with the American Telephone and Telegraph Company, for toll and long-distance business. This was five years before an interest in the Western Union was acquired or contemplated.

"The lines are now used for telephone business principally. The commercial experience and history of this line are not such as make it a good argument for lower telegraph rates, either under private or government operation, and even under such favorable auspices its experience was certainly not such as would encourage private enterprise in another attempt, although the field is open to all."

Not Yet Through Growing

Now we have been accused of having reached the zenith of our development; that under private ownership we won't go any further. I want to say to Mr. Lewis that we are only beginning to unfold the possibilities of our development. Last year we expended on the Bell System $55,000,000 for additions to plant; this year our budget calls for $60,000,000. And we are going to keep right on developing, going forward, if only the public will let us by continuing their encouragement.

Lewis Figures Analyzed

And now as to the comparisons of efficiency and rates which Mr. Lewis has made. You yourselves know how easy it is to prove anything by stretching statistics this way or that. Figures are rather dry at best, but I want to say for your information that we have compiled a study of the comparisons which Mr. Lewis has made as to efficiency and rates between the United States and foreign countries. If you care to, you can obtain copies of this at the close of this discussion. You will see, I think, how misleading and unwarranted are the statistics which Mr. Lewis has presented, and upon which he has attempted to make his case for Government Ownership; you will see how artificial and unreliable is the fabric of statistics which has been constructed, and you will find that our exposition of this fact is not merely controversial, but is based upon official information of the highest sort, and this information is not only cited in each case in this study, but we are ready to have anyone who desires, including Mr. Lewis, verify the information by recourse to our files.

Peculiar Methods

The funny thing about these statistics is, that the method Mr. Lewis adopted in figuring efficiency, was to take the total number of messages and divide that by the total number of employees engaged in each service, and then to call the result the showing of efficiency on the part of the service. You can see for yourself how impossible such a method is, in order to get a true showing for efficiency. For one thing, we, in this country, unlike the government systems of foreign countries, as you will see later, are constantly modernizing our plant, and looking ahead into the future, and by this fact alone we have been penalized by Mr. Lewis' efficiency methods, because we have a lot of engineers and a lot of men constantly engaged in this advance construction. Mr. Lewis had no difficulty in picking out the number of our people working, and he said, "We will count you all." I suppose if we had dropped this large force of men who are engaged in advance construction, who are engaged in work which will not show up, perhaps, for years to come, we could have shown, according to Mr. Lewis, a much higher "efficiency," because the fewer people you have on the job, the higher the efficiency. If we could cut down all our employees, during the coming year, for instance, who are not engaged directly in telephone operating, we would then, according to Mr. Lewis, show a marvelous efficiency.

But when Mr. Lewis came to foreign countries, he found a peculiar situation. If you will look at the report which was prepared by the Post Office Department recently, and submitted by Mr. Burleson to Congress, you will find that the figures for foreign telephone and telegraph and post office systems are presented with barrels of salt, by way of foot notes, and these foot notes practically say, in effect, that you cannot determine anything as to the results of operation or the number of employees in the service, because the post office and the telegraph and the telephone are operated jointly, and their results cannot

be shown separately. For instance, in Norway, most of the telephone employees also perform mail and telegraph duties, and a very small portion of the whole are engaged solely in telephone work. Now to give you an idea of how simple Mr. Lewis found the job of measuring efficiency under such circumstances—he simply took the total number of telephone messages for Norway, and then divided that by the number of employees who did telephone work exclusively—and the result purported to show what Government Ownership does for the people.

Our Economy Shown by Construction Cost

Well, gentlemen, despite the fact that we have been keeping up our plant all the time, that we have been engaged in advance construction, far into the future, that we have changed from the grounded to the aerial circuits, and from the aerial to the underground as fast as we could, and that we have not, as they did in European countries, forced the aid of municipalities to help in the matter; despite the fact that we have kept in advance of the march of progress, that great changes have been made in cable construction, cables being laid underground all the way from Boston to Washington; despite the fact that we could not, like foreign countries, confiscate property and rights of way, but had to pay good hard dollars for them, let us see how our real efficiency shows up in the way of costs in this country, including all the long distance, underground and spare plant—because we have a good bit of spare plant. You would not have to do, for instance, as they do in Tokio, Japan, where there are 20,000 poor Japs seeking telephone service, who have to get in line and wait their turn in order to get the privilege of subscribing to the government service, and who, so valuable has become the right to the first positions in the line, are trading these rights to subscribe for telephone service on the stock exchange and, in some cases, bequeathing them as valuable assets in their wills. For you see, Japan has no money at present for telephones; she needs battleships—battleships come first in Japan. But as I say, despite all this preparedness of the telephone in this country, and the fact that we have attended to telephone needs, present and future, to a far greater extent than has been possible under the foreign governmental systems, the plant of the Bell System, the American Telephone and Telegraph Company and its subsidiaries, including long distance lines, stands us to-day at $153 per station. Australia stands at $163 per station—$10 higher; Germany, $178—$25 higher; Switzerland, $192—$40 higher; Hungary, $193—$40 higher; Austria, $213—$60 higher; France, $253—$100 higher, and Belgium, $278—$125 higher. Not so bad, Mr. Lewis, for the efficiency of private enterprise.

Some Exchange Rate Comparisons

Now, Mr. Lewis has had quite a bit to say about telephone rates. The question of rates is one of the most involved and technical in connection with the telephone business. I have already shown you how the public has dealt with the telephone in regard to rates, through public service regulation, and the stand we have taken on the subject. We

are willing, at any and all times, to change our rates to conform to any basis demonstrated by investigation to be more reasonable than the present. We are just as interested in a proper solution of this question as any one, and I submit that I have made it clear that, so far as investigation has shown, rates in this country are as they should be. But now what sort of rate comparisons have been made with foreign countries? Well, some of the rate statistics used by Mr. Lewis came from a source pretty badly tainted. I think he knows what I mean. And a favorite method of making comparisons is to take a big city, say like New York, and take your maximum business measured rate, and then stick that up on your flag and wave it around as the New York rate, and compare that rate with the smallest possible rate in other cities, and then talk about extortionate and unfair rates. Now what is the use of comparing rates this way? It is not fair; it is not honest, because the idea is not, What is the rate for one particular kind of service? but, What do the people of that city *pay* for telephone service? You have got to take into account not only the size of the exchanges, but the number of subscribers *using* the service, and above all the *average rate paid*. And if you do that, you find some such comparisons as these:

The minimum rate in The Hague is $24. In San Antonio, Texas, an exchange of about the same size, it is $18. 78% of the San Antonio subscribers pay not more than the minimum rate in The Hague, and most of them pay less.

The Omaha, Nebraska, exchange has about the same number of subscribers as Tokio (you will remember Tokio). 79% of the subscribers pay less than the minimum rate in Tokio.

Amsterdam, Holland, has about the same number of subscribers as Rochester, New York. 77% of the Rochester subscribers pay less than the minimum rate in Amsterdam.

Rotterdam has about the same number of subscribers as St. Joseph, Missouri. 81% of the St. Joseph subscribers pay less than the minimum rate available in Rotterdam.

Budapest has about the same number of subscribers as St. Paul, Minnesota. 94% of the St. Paul subscribers pay less than the only rate available in Budapest.

Now Paris has been mentioned and compared, for example, with New York City, an exchange about five times as big, and, of course, the $228 rate, the highest possible, was picked out for New York. It doesn't matter that only ¼ to ½ of 1% pay the rate quoted or more, or it would not matter if nobody paid the rate quoted—use it just the same, because it sounds bad for the Bell. Well, now, suppose we compare Paris with New York. The only rate available in Paris is $77.20—and don't forget you have got to buy your instrument in addition. 79% of the subscribers in New York City pay less than the Paris rate. 90% of the Philadelphia subscribers, and 91% of the Chicago subscribers pay less than the only rate available in Paris.

Now if you get down to the smaller places of this country and abroad, you would find practically no comparison. The foreign rates are, as you will see if you look into that study that I have mentioned to you before, for the smaller places, much higher than the

corresponding rates in this country. In fact, they are abroad, in many cases, practically prohibitive, which explains the impoverished rural telephone development in the foreign countries which have government telephone systems.

Unfairness of Price Comparisons Without Considering Quality

Now, of course, I have not told you the whole story in rate comparisons. What good are rate comparisons if you do not consider what you get for your money? I am not talking now about the quality of service, which, as anyone knows who has traveled abroad, is for the most part much inferior to American telephone service. I am talking now about the length of hours during which the telephone service is available to the public abroad. Take Switzerland, for example—the country with which Mr. Lewis is so in love for statistical purposes. 96% of the exchanges in Switzerland close at 9 o'clock P. M. 46% operate from 7 A. M. to noon; then close two hours for lunch; then open again until 6 P. M.; then close two hours for tea; then, to show that they are not so bad after all, they open at 8 and stay open until 8:30 P. M., then put up the shutters for the night. I am afraid Providence would not stand for that kind of "public service motive."

Or take New Zealand, where the Government has reduced things to so beautiful a basis, and where, incidentally, they have a debt rate of about $400 per capita; 84% of all their telephone exchanges are not open on Sundays; 80% are not open on holidays; and 60% are open on week days only from 9 A. M. to 5 P. M.

In Belgium, with rates averaging $10 higher than the Bell System, for comparable towns—in what is known as the Brussels Group, which includes the City of Brussels and environs, and contains more than one-third of all the telephones in the country—out of a total of 23 offices, 21 operate only from 7 A. M. to 9 P. M., and but two of them operate day and night.

Plaintive Appeals from Germany

Or listen to this sad plaint from one of the official representatives in Germany, Herr Wendel, in his speech in the Reichstag, in February, 1913:

> "I cannot forego to speak here about the wish expressed by one of our Electoral Districts. I refer here to Freiburg. There the entire telephone service is interrupted at 9 o'clock P. M. Five minutes after 9 o'clock it is impossible to obtain a telephone connection. Now the Town Council of Freiburg has addressed the Postal Administration and asked for the introduction of night telephone service. The Postal Administration has refused the request. It is true that Freiburg is a very pretty, idyllic, and quiet town, and I am glad of it; moreover, the night is not man's friend. I admit this; but it must also be remembered that not all citizens of Freiburg go to roost with the chickens, and a sudden sickness, accident, fire—any kind of trouble—may require a quick telephone call for a physician, or a fire brigade, just as much after 9 o'clock P. M. as prior to that time. It seems to me indefensible that a city of some 30,000 inhabitants should be deprived of telephone service at 9 P. M., and it is the duty of the Postal Administration to get quickly in touch with the Postal Direction of Freiburg or the Upper Postal Direction of Dresden, in order that this justifiable request of the inhabitants may be granted."

And when the telephone subscribers of Germany became so unreasonable as to expect telephone service during lunch hours, here is the assurance they received from the Secretary of the Imperial Postal Administration, who is in charge of the service:

> "I have listened to the wish that our telephone exchanges should also be kept open during the noon hours. I wish to state that the various authorities have been instructed to exert themselves along this line. In accordance with the reports which are before me, I can state that 70 per cent. of all our telephone exchanges give service between 12 A. M. and 1 P. M."

Toll Rate Comparisons

Now about toll rates. Our plant in this country is built and operated on the "No delay" basis. Our rates in this country cover the best service only—we have no different kinds of service as they have abroad. Abroad they classify rates as "urgent" and "ordinary." By "urgent" they mean something like the long distance service we give in this country, and for which they charge from two to three times as much as the regular rate which Mr. Lewis quoted. We have only one kind of long distance telephone service, and that is the best that we know how to give. This "ordinary" telephone service in foreign countries is funny. Say you live in Germany: If you want to talk with a friend, you get an assignment. They tell you you can talk with him at 10 o'clock—perhaps that day, perhaps the next day, if the appointments are all taken up. It is put up for you at ten. If you are not there to talk, you are charged. If you are there, you talk three minutes; then you are cut off, and you cannot talk again until your turn comes around again.

And then, in foreign countries, they have another difference, a vastly important one, between their method of charging and our method of charging here in this country. Our rates, except as to nearby points, are got up on what is known as the "particular person" basis. In other words, if you want a long distance call, except to nearby points, you are charged only if you get the party you want. This is not true of the foreign government telephone systems. They have there what is known as the "two number" basis—that is, they give you the connection, you do the talking—if you can—and whether you talk to the party you want, or the office boy, or the janitor, or the stenographer, or to no one at all, they charge you, because they have given you the connection. They sell you the connection, but they do not guarantee to sell you the conversation you want.

Peculiar Comparisons

And here's another point about the rate comparison Mr. Lewis has made. Unfortunately, the gentlemen who prepared the table for Mr. Lewis took the one-hundred-mile rate as the magic point, and then proceeded to show up some beautiful discrepancies between our rates for long distance telephone service, and the corresponding rates abroad. Well, now, it is a fact that 70% to 80% of all toll traffic moves within a radius of from 30 to 50 miles, and within this radius it is found that

our toll rates are, even on a nominal basis, taking into account the differences I have mentioned, lower than in Europe, and if you consider the international toll conversations in Europe, of which there are many, and which Mr. Lewis completely ignored, you find that the foreign rates are from three to four times as high as the rates in this country for corresponding distances. Now when you get out into much longer distances, I grant you that the European systems can quote much lower rates for the service, because they know no one will call their bluff. The service is not a commercial service, and even if some one should take them up, they could afford to charge almost nothing for the rare conversation for long distances if they could charge three or four times as much for the short distances where the bulk of the traffic falls. In European countries they have the magnanimity to make a very cheap rate which covers long and short distances, and you get the short occasionally, but you never get the long. It is true that to distant points our rates are higher, but we quote rates for a *commercial service,* and we have done a remarkable thing in this country which they cannot do in European countries; we have let the telegraph take its natural place. We realize that for short distances the telegraph cannot compare for direct utility with the telephone service, and that for long distances the telegraph cannot be approached for economy by the telephone, because of the terrific cost of tying up lines. When you have a property costing several hundred thousand dollars, you must quote a rate which bears some proportion to the cost of furnishing the service. But we have another means in this country of taking care of this kind of traffic—a thing I want particularly to call to Mr. Lewis' attention: We do not simply sit down and say we cannot give a man a cheap rate for long distances and let it go at that, but we have these lines that are used for long distances, and we lease them to people who will guarantee a fairly continuous service, or who will take the service for a half-hour or an hour a day, and we quote rates that will *move traffic.* The American Telephone and Telegraph Company has, tied up, 214,000 miles of line under lease. Now, Mr. Lewis, what have you done with these lines? You have not counted one message on them. I dare say you do not know they exist. We do not parade them; we saw no need of parading them; we did not need to make any defense of our efficiency, etc., until you came along with your example of the Norwegians and the Luxemburgers, but just the same, we keep that plant in repair, we furnish the wires, we maintain the plant, but we get no credit for it in your showing of efficiency. We are interested solely in giving service; and if we give the service, we are satisfied to let it go at that.

Europe an Armed Camp

Now, Mr. Lewis was kind enough, in his remarks in Congress, to make a statement that, I think, goes far to explain the situation. European governments never took over the telephone because they could do the job better; on the contrary, the people who were running the telephone service were doing the job so well that if the governments had not taken the service over, and stopped competition with the

telegraph service which the governments had from the start, they would have gone bankrupt, and Mr. Lewis knows that that is true. We know that Europe is one armed military camp; we know that when the telegraph came in under the Governments in Europe, it was not as a commercial service, but as a military agency. For the European Governments, the one overwhelming purpose is military necessity and protection. Now we have not this situation here. Our country, fortunately, is not an armed camp.

Prof. Holcombe's Caution

One other thing about the statistics that Mr. Lewis has used. Mr. Lewis has mentioned Professor Holcombe's book on telephones in such a way as to lead one to believe that Professor Holcombe and Mr. Lewis are in accord on the foreign telephone statistics which Mr. Lewis has used. Let me quote you this from Chapter 23, Page 420, of Professor Holcombe's book on "Public Ownership of Telephones":

> "'A judicious man,' says Carlyle's 'crabbed satirist,' 'looks at Statistics, not to get knowledge, *but to save himself from having ignorance foisted upon him.*' Statistics have improved somewhat since Carlyle's day. Those published by the International Bureau of Telegraph Administrations at Berne, Switzerland, are carefully compiled and edited. Yet they are no better than their source, the reports of the various governmental administrations. A judicious man will still be careful what he tries to prove by them."

And while we are on the subject of toll rates, I want to remind you that in many of the countries abroad, the governments refused absolutely to build toll lines until the returns on these lines were guaranteed by the local authorities in the cities and villages through which the lines were to be constructed, so that, in many cases, the toll rates charged by the governments do not represent the actual charges, but have been supplemented by the guarantees required by the authorities. For instance, I wonder if Mr. Lewis has seen this in Professor Holcombe's book with regard to Switzerland:

> "After another five years of more or less constant negotiations with the commercial interests north of the Alps, they undertook to give on their own sole responsibility the required guarantee. In 1900, a line was opened between Lugano and Zurich, and a second between Bellinzona and Lucerne.
>
> "During the first year after their opening, the traffic over these two lines averaged only thirteen messages a day. Consequently, the receipts amounted only to a bare third of the guaranteed income, and the real cost of the connection to the interests which had demanded it was nearly thrice the nominal rate. Yet the guarantee did not suffice to cover the costs to the administration, for the construction over the Alps proved to be exceptionally expensive."

The same condition prevails in France, where the actual financing of the long distance telephone lines had to be undertaken by local authorities, and sometimes by the private interests in these localities, in addition to the guarantees which were required in return for the investment. That is one of the ways that the foreign government telephone systems (operating, no doubt, in response to Mr. Lewis' law of "public service motive") discouraged the building of lines to what they thought might not be profitable sections.

Toll Line Delays Abroad

Now then, after all I have said about telephone toll rates, what kind of service do you get for your money? I wish I had time to give you some adequate indication of the almost universal dissatisfaction in Europe with the kind of toll service that the governments furnish. I will mention one or two instances—I am not exaggerating these in the slightest—I am going to quote to you from official sources. Here, for instance, is a quotation from the speech of Herr Haberland of the German Reichstag:

> "Thus, complaint is made of the long time that a subscriber must wait in order to get long distance connections, especially connections between the West and the more central parts of the country, and in particular between Dusseldorf and Berlin. For years the Imperial Post Office has been acquainted with these complaints. In 1907 the Dusseldorf Chamber of Commerce made an investigation and found that the waiting time exceeded two hours. In 1910 it was proved that the average time of waiting to be connected by telephone service between Dusseldorf and Berlin (about 400 miles) was still over one hour, and the average time between Dusseldorf and Mannheim, Dortmund, and Cologne was forty-four, thirty-nine and thirty-four minutes respectively. Later, conditions again grew worse. The average time required to get a connection with Berlin is now one and one-half hours. According to reports from a number of firms, if the operator be requested to get Berlin, the general reply is that unless the conversation is classified as 'Urgent,' the connection will take several hours. In fact, the Administration recommends a scheme of 'Urgent' conversations to overcome the trouble. This remedy, however, is often too expensive for the less wealthy concerns, and, furthermore, it is to be remembered that this forced increase in urgent conversations tends to make the waiting-time still longer in the case of ordinary conversations."

The toll service in France is even more ridiculous. I quote from a few of the many complaints of the French Chambers of Commerce:

> *Chamber of Commerce of Alais (population 25,000):*
>
> "As regards telephone communications, for example, several establishments have indicated that it has been impossible to obtain connections with Marseilles (85 miles) and Lyons (115 miles), even after *waiting four hours.*"
>
> *Chamber of Commerce of Rouen (population 125,000):*
>
> "We place in the first rank the reforms which we wish for the improvement of the telegraph service, and especially in the telephone service which leaves much to be desired. It takes an average of 55 minutes to secure a connection with Paris (70 miles)."
>
> *Chamber of Commerce of Chambery (population 23,000):*
>
> "Telephone communications with Geneva (50 miles), Lyons (60 miles), Paris (280 miles), Grenoble (30 miles), are practically impossible during the greater part of the year, and it is necessary to *wait hours for a connection.* In the case of Paris *one gets the connection the day after the call has been filed.*"

In other words, if you live in Paris, and happen to be detained in Chambery, you call your home to-day, you get it to-morrow, and you tell your wife that you won't be home last night. Why, Aviator Gilbert recently flew in an aeroplane from Paris to Rheims, one hundred miles, and he arrived at his destination before the news of his departure could be telephoned.

Peculiar, if not Questionable, Methods of Showing Toll Efficiency

Now, despite this situation, and it is a serious one, and I have a lot of friends who could interest you and give you instances much more

ludicrous than those I have read—I say, despite all this, Mr. Lewis has worked up figures showing a higher efficiency for foreign countries than for the telephone in this country. If the people of this country would only wait, would only take their turn, would file your message, and wait for your chance to talk, we could build up a showing of "efficiency" that would tickle the heart of Mr. Lewis, by putting up just enough circuits to carry the messages filed in a day. We would not have to use so much copper, we would not have to use so much equipment, and we could economize wonderfully on the number of people we have to employ. But do the people want that kind of service? Mr. Lewis, in his comparison of what he calls "adequacy" of telephone facilities, made a great showing for foreign countries by simply dividing the number of messages from toll terminals by the number of telephone stations. Well, just see how ridiculous such a comparison is! If we were to come to Providence to-day and cut down the number of telephones by, say four, so that we had only one-fourth of all the telephones here that you have now, we know we would lose some long distance business, but think what a wonderful quotient you would get for long distance messages per phone! For Mr. Lewis' statistical purposes, your town would be ideal, but I am frank to say that, for telephone purposes it wouldn't be much. Now, it is this very fact that shows our superior development in this country. People do not have to leave their homes to telephone. Suppose you put an extension station upstairs in your home. Originally, with one telephone in your home, you had ten calls a day; with your extension station, you may have a total of twelve calls a day. Before you put in your extra station your quotient of "adequacy" was ten; after you put in your extra telephone, it became only six; so that, according to Mr. Lewis, your facilities have become approximately one-half as efficient as they were before. Now, what is the sense of punishing us by this kind of comparison? We don't want to stop growing in order to show that brand of "efficiency."

Special Service Ignored by Mr. Lewis

I mentioned before our enormous carrying business on leased lines. Well, we have gone further than that, we have got tie lines. New York City is full of them. We lease you a line from your factory to your office, and you handle the traffic between such places more efficiently; we do all the maintaining, etc. We have got thousands and thousands of these lines in this country, and for that traffic we get no credit in statistical showing, and we want none; we are satisfied that that is good efficient engineering. But these things have got to be considered by any student who wants to arrive at a proper conclusion.

More Niggers in the Woodpile

I am not going to take up in detail all the "niggers" in that extensive woodpile of statistics presented by Mr. Lewis. And these "niggers" are wonderfully numerous. For instance, in counting toll messages, the figures used by Mr. Lewis have been frightfully inflated. Many of these messages, for instance, are counted twice and three

times, as, for instance, international messages. They are counted in the country where they originate, in the country where they terminate, and if they pass through more countries, they are counted in all the countries they pass through. The next time Mr. Lewis makes up a report on this situation, he might look into that. Of course, we haven't got that kind of proposition in this country. We have here enough of a job getting one toll message counted once. And then, again, in many cases, Mr. Lewis' toll messages aren't toll messages at all; for instance, in Germany, Mr. Lewis has used a large number of messages as toll messages which are only, as we are advised by the German Government, a species of no-charge suburban trunk calls, and the number of these improperly included messages for Germany alone is greater than the total number of toll messages in the United States.

Private Ownership the Cause, not the Effect, of our Prosperity

But I am not going to bother with all this. After all, you know that the best test of efficiency and rates is the relative development of the service, and you know how that has worked out. But Mr. Lewis didn't like these facts, they didn't fit in with his theory of public service motive and the law of diminishing returns. So he said the figures didn't mean anything. He said that our superior development was not due to superior efficiency and better rate schedules, but was simply due to our prosperity. Now, isn't that putting the cart before the horse? Is it not true that our magnificent prosperity is due precisely to the manner in which he have handled our affairs? I have gone down to the Battery in New York City many times, and watched the immigrants come in, clad in their quaint garments and carrying their old carpet bags, and I have watched them open their eyes in wonder, and I thought I could see in many of them our future police officers and our car line conductors, and our operators. Why, in Buffalo they have hired a girl to lecture to us in one of our public demonstrations of the telephone. She was an Italian girl who came over to this country within the last few years. Her mother and father still wear the quaint foreign clothes of Italian custom. She was picked out of our operating rooms because she had the most perfect English enunciation of any girl there, and she is now illustrating, in her rich Italian voice, the proper way to use the English tongue. That little instance meant much to me; it was only an illustration of the extent to which opportunity in this country has spelled our wonderful success. Why, it is precisely because of our methods of railroad building, trolley, electric light and other developments, and the development of our magnificent telephone, which has spread itself throughout the country, that we have prosperity in this country. I say our development of the telephone and other enterprises has antedated and been the cause of our prosperity in this country. No, indeed, Mr. Lewis cannot explain away the situation. Our superior telephone development is a fact, and can be accounted for only by the way we have handled it. For see, suppose you go to Europe and take the countries where the telephone is in private hands. See what has been done in that little European country of Denmark,

where most of the telephone development is private. In Denmark they have twice as many telephones per one hundred inhabitants as in Germany, 2½ times as many as in Great Britain, 3 times as many as in the Netherlands, 5 times as many as in Belgium, and 6 times as many as in France. Sweden and Norway, which have some private operation, but not as much as Denmark, rank next, and in the city of Stockholm alone, which is mostly private, they have a larger telephone development than in any other city of the world, with the exception of San Francisco.

Opportunities Abroad

Why, gentlemen, the starved condition of telephone development in the European countries, where the governments operate the service, would offer to American telephone enterprise a most wonderful field! They have not in Europe the disadvantages we have here; they have towns thickly settled; they have not the vast distances that we have to contend with; they have greater possibilities of producing a full volume of traffic, and yet, see where they have landed under government management. It was probably this which Major O'Meara, the Government Consulting Engineer in Great Britain, had in mind when he wrote to us recently, acknowledging a copy of Mr. Vail's annual report. Here is what he says:

> "I am writing to thank you for the copy of the Annual Report of the Directors of the American Telephone & Telegraph Company for 1913. I have been much interested in the part of the report dealing with Government Ownership and Operation. After spending over sixteen years out of my thirty-two years public service in the British Post Office Department I have come definitely to the conclusion that a Government Department is, as a rule, an unsuitable organization to manage services of the character of the telegraphs and telephones. And the people in this country have been finding this out for themselves during the past two years."

Is the Post Office Department Really Efficient?

Now I approach that part of the subject that is not very pleasant to me, and that is the question of comparing the efficiency of the Post Office Department with that of the telephone in this country. We telephone people have been busy in the past. We have not had much time to worry about whether or not the Post Office Department was as efficient as it should be. We have been busy enough trying to be as efficient as we could. We have appreciated that the Post Office was properly a government institution, and that part of the burden of this enterprise could very properly be charged to general taxation, because it is placed at the disposal of all, and is used by all alike, and, being a matter of common concern, it is very properly a matter subject to common support. But now, when the Post Office is used as a criterion by which to judge our progress, when, by some mysterious method of computing efficiencies in these services, Mr. Lewis has done something that nobody on earth has ever attempted to do, that is, has not only compared the telephone in one country with the telephone in another by arbitrary

unit equivalents, but has compared the postal service in this country with the utterly dissimilar telephone service in this country,—then, I say, we have to sit up and take notice. Now the telephone fraternity does not want to be understood as criticizing the personnel of the Post Office Department as such. On the contrary, there is a bond of sympathy existing between the telephone officials and those in the postal service. The Post Office personnel has had in the past, and has now, many good and faithful men. We pity them. They have been tied to a post. They have been "postalized" for years—that is my interpretation of "postalization." Men come into that service full of ambition and energy, and a keen desire to accomplish, and they find, before long, that they are up against a stone wall, that they are hampered on all sides by restrictions and the rigidity of a system which forces them either to get out or float with the stream. Don't take my word for it,—this is not my opinion. In February, 1908, a Joint Commission, which had been appointed by Congress to investigate the Business Method of the Post Office Department, and of which the Hon. John A. Moon, present Chairman of the House Committee on Post Offices and Post Roads, was a member, submitted its report to Congress. I wish I had time to read you some of the extracts of this report, as a commentary on the alleged efficiency of the Post Office Department, but I mention this, here, as indicating how the defects of the service are not attributable to the personnel, but to the system:

> "We also desire to point out that our criticisms are directed at methods, and not at individuals. The higher officials, at any rate, and the best of the staff, are keenly alive to the necessity of reforms; but the service has grown from small beginnings over a long period of years, hampered by restrictive laws which may have been necessary in the past, and may even now be considered necessary to some extent for a government department, but which would render it practically impossible for any private business to survive."

Initiative and Efficiency Destroyed

How thoroughly the initiative and efficiency of the employee become dissolved into the inertia of their surroundings the moment they enter the Department is indicated in another portion of this report:

> "The work of the Department and its development is hindered all along the line by slavish adherence to old methods and to precedents created in previous years, and many reforms which might otherwise be instituted are hindered—if not entirely prevented—by appeals to the decisions of the Comptroller, made, perhaps, many years ago under entirely different conditions. Then, again, the conservatism of Government officials is a generally admitted fact. There is no inducement to employees to suggest improvements in the service for the reason that if these improvements result in greater efficiency or economy of administration they will receive little credit; and, on the other hand, if new methods are not successful they will be charged with the whole blame. Moreover, to suggest improvements which will result in economy is to create hostility among other members of the organization, whose services may thereby be rendered unnecessary. On the other hand, a clerk who adheres to the routine which existed prior to his appointment will be left undisturbed and will receive credit by performing his duties with even a slight degree of efficiency and accepting without comment methods which have been handed down from earlier generations."

Absence of Accounting Methods

Think of it! Mr. Lewis takes the Post Office Department and constructs efficiency statistics, which he compares with the telephone, when this Joint Commission, which secured the services of some of the most expert firms of accountants in this country, made the following statement in its report to Congress:

> "Past experience had disclosed the lack of such a central system of accounts in the Post Office Department as rendered the determination of the cost, profit, or loss in connection with a given line of service impracticable. For more than one hundred years the great and stupendous business of the Post Office Department has been operated without being overhauled or looked into from the standpoint of critical, expert scrutiny of its business methods."

Lack of Cooperation

The following examples, taken haphazard from this official report, will indicate how vast and deep-seated have become the accumulated defects of nearly a century of mismanagement. For instance, as to the total lack of standardization in methods and co-operation between the various branches of the Department, the report says:

> "In the course of our investigation into the main subject referred to, we have necessarily had occasion to observe the general methods of administration throughout the Department and service and have been particularly impressed with the divergencies therein in different bureaus, divisions, and sections in handling transactions of a similar character, and we shall show in this report, how, under the present system of administration, these appear to have grown up over a long period of years without any very definite plan. There exists an independence and lack of co-operation not only between different bureaus and different divisions, but even between different sections of the same division, and in identical field operations which must undoubtedly do much to hamper the service and increase its cost."

Evils of Bureaucracy and Over-Centralization

The Commission further calls attention, in the following language, to the effect upon efficiency exercised by the fatal influence of bureaucracy and over-centralization:

> "Every request of even the smallest post office, for allowances for any purpose whatever has to be made to the headquarters at Washington. Allowances are, in a large number of cases, for amounts less than $1, and it would seem that if there were a district superintendent in the field who could pass on such matters it would save a large amount of routine work and consequent expense in the Department at Washington. From the fact that it has to deal with nearly 65,000 postmasters scattered over a vast area of territory, it cannot be in a position to determine intelligently or efficiently upon the needs of each.
>
> "The bureau chiefs appear to spend an increasing amount of their time in the mere routine work of signing formal documents and passing upon requests of various kinds for allowances, or otherwise, which could be intrusted to properly qualified officials in the field without detriment to the postal service. This point recurs at every stage of the inquiry, and appears to call for some radical change in administrative methods if, by the continual growth of the postal business, the Department is not either to lose control over the service or to exercise its control in such a perfunctory manner as to make it practically useless."

Lack of Labor-Saving Devices

Indeed, even in the most simple and rudimentary requirements of efficient administration,—the use of labor-saving devices,—the Commission discloses a surprising condition in the Post Office Department, calling attention to it in the following language:

> "There is a lamentable lack of labor-saving devices practically throughout the whole Department and service. Even for such an elementary machine as a typewriter, we are informed that there are hundreds of applications on file which the Department has been quite unable to fill. Of the more valuable machines, such as arithmometers, book-typewriters, and calculating machines, there are few in use, and even in the field post offices such scales as are provided for the special weighing of mails now in progress are of a very inferior grade, and from the information we have gathered it would appear that with few exceptions there are no mechanical conveying devices in any office for expeditiously handling and weighing the mails."

Lack of Efficient Audit System

Examples of this anarchical condition of the postal service, as disclosed by the official report of the Joint Commission, are numerous, but I have not the time to refer to them. I could mention, for instance, the reference the Commission makes to the fact that there is a complete lack of any audit system or any other system which would enable any sort of check as to efficiency to be made. The Commission says, for instance, "We have seen in different efficiency statements of work done, that exactly the same class of work done by individuals has varied in exceptional cases from under 2,000 to over 22,000 operations in the same period of time." And again, referring to the accounting system in this connection, "Our investigation has confirmed the impression gathered from a study of it, that the whole of these methods are crude in the extreme, and such as no private business concern or corporation could follow without the certainty of loss, if not of financial disaster." And yet these conditions in the postal service, which baffled the most expert accountants of the Joint Commission, did not seem to worry Mr. Lewis at all, but he blithely sailed through the whole gamut of postal operations, simply selected his statistics, and, out of the nebulous cloud of unknown and unknowable factors, he pulled forth a marvelous model of efficiency, to shame forever the results of private operation. It did not matter that the Post Office has no plant and practically no equipment, except some mail bags, mail locks, mail boxes, and a few other inconsequentials; that the Post Office Department assumes no financial responsibility for any but a small part of the operations in the discharge of postal functions; that even in public buildings, it is the tenant of the Treasury Department, the buildings being constructed and paid for by appropriations expended by the Treasury Department; it did not matter that no rentals are ever collected or computed; that the Post Office expenditures for heating, lighting, repairs, janitor service and supplies are paid for, not from postal, but from other appropriations; that the cost of the Post Office Department at Washington and of the Auditor's office, embracing salaries of more than 1,000 officials and employees, are paid from appropriations known as legisla-

tive, executive and judicial services, never appearing in the postal estimates, accounts and balances. All Mr. Lewis had to do was to get the number of mail pieces, and take the number of postal employees (and, incidentally, Mr. Lewis used a figure for postal employees which is less by 35,000 than the figure given by the Postmaster General three years before in his Annual Report for the year 1909), then divide your mail pieces (as if you could get an average mail piece) by your employees, and presto! you have your efficiency. Now, with us, in the telephone business, there is no trouble about accounting. Our national government knows very well the need of proper accounting, and recognizes it—so far as we are concerned. The Interstate Commerce Commission has prescribed for the Bell System a scheme of accounts as complete, minute and elaborate as any to be found within the whole range of scientific accounting, and it has kept us going some, too, I can tell you, to toe the mark.

Promised Efficiency of Peculiar Kind

There is just one other point about Mr. Lewis' scheme of efficiency that I should like to touch upon, although my time is growing short, and I can only refer to it very briefly. That is the great efficiency Mr. Lewis is going to get by combining the telegraph with the postal service, and eliminating all the so-called extra motions in sending a telegram, by the simple use of a postage stamp. Now you will find all these operations analyzed in the study that we have prepared, that I mentioned to you before, but here is an example of one of the motions that Mr. Lewis is going to cut out by the use of the postage stamp. Under the present system of sending a telegram, the operator has to put down the time of sending and his initials, and the time of receiving and his initials. In fact, this operation is required by law in several States. This is one of the operations that, according to Mr. Lewis, is a useless one, to be cut out by the use of a postage stamp. Think of it! Getting efficiency without knowing when your telegram has been sent, when it has been received, and who sent it, and who received it, in case of delay. And the Post Office system, which is to work this transformation of efficiency—well, I guess you have seen enough samples of the kind of efficiency that the Post Office would inject into the telegraph service. Why, in one of the portions of the Joint Commission's report, we find a list of 19 different operations which are gone through for the simple drawing of a pay warrant, not counting the operations while it is in the hands of the Auditor, and these operations are finally wound up by an office boy, over whom no supervision is exercised.

Is the Parcels Post Really Self-Sustaining?

Now Mr. Lewis, in his talk about "public service motive," dwelt upon the way the parcels post has been working out; how, by the simple injection of the "public service motive" into the business, the parcels post has done a great public work and, at the same time, has made a neat little profit. Now all this would be fine, if it were only so, and I

just want to call Mr. Lewis' attention, and I don't really need to, because he knows it himself, to the debates which have taken place, not so long ago, in Congress, on just this very subject. Mr. Lewis knows that Mr. Kindel—I understand he professes to be a deep and profound student of the parcels post—has made the statement that no one to-day knows what the parcels post costs, that no one knows what it is earning; and that other distinguished Congressmen like Senator Joseph Bristow, of Kansas, who was Chairman of the Senate Committee on Post Offices and Post Roads, which drafted the original parcels post law, has said that there is no way on earth of telling whether the parcels post is making a profit or not. And Mr. Lewis probably knows that Mr. Kindel complained to the Interstate Commerce Commission against the recent changes in the parcels post, and that the only answer he got from Chairman Clark, of the Interstate Commerce Commission, was that the parcels post was in the experimental stage anyway; and that, when Mr. Kindel wanted to find out from Postmaster General Burleson something as to the profit on the parcels post, Mr. Burleson could not furnish a single figure showing anything as to the real cost. So, either Mr. Lewis is possessed of information as to the parcels post which the people at Washington have been vainly seeking, or else his figures on the parcels post profits are members of the same family as his efficiency statistics.

Now I guess I have said enough to show you how the situation stands as to the efficiency of our telephones in this country compared with telephones abroad, and as to the comparisons which have been made between the efficiency of the Post Office of this country and of our telephone system. I have given you the facts, now I will give you one or two reasons.

Permanency of Plan and Purpose Through Continuity of Personnel

In the private telephone system of this country we have Mr. Vail, who has been with the industry from its inception, being the first General Manager of the so-called Bell System, and now its head. Under him, and holding important positions throughout the entire country, are men who have been in the service for years, as your Mr. Potter, Mr. Howard and others, whose sole recommendation for advancement and continuance in the service rests upon their experience and fitness for the positions they hold. Contrast this with the government-owned Post Office, if you please. To quote again from the findings of the Joint Commission:

> "It appears too obvious to require argument that the most efficient service can never be expected as long as the direction of the business is, as at present, intrusted to a Postmaster-General and certain assistants selected without special reference to experience and qualifications and subject to frequent change. Before the Postmaster-General and his assistants can become reasonably familiar with the operations of the service they are replaced by others, who, in turn, are called upon to resign before they can, in the nature of things, become qualified by knowledge and experience to perform their allotted task. Under such a system a large railroad, commercial, or industrial business would inevitably go into bankruptcy."

Or, to go one step back of this—"to get behind the scenes"—I quote from a statement by our friend, Mr. Fitzgerald, Chairman of the House Committee on Appropriations, in a special report appearing in the "Congressional Record" of January 20, 1914, wherein he said:

"Under Republican administrations it had been the custom for some years to appoint the chairman of the National Republican Committee Postmaster-General, so that there might be no mistake as to the partisan character of the men appointed as postmasters in the first and second class postoffices in the country. The abuse became so great under Postmaster-General Hitchcock and Postmaster-General Cortelyou that President Taft, a Republican President, was compelled to cry out against the existing conditions and to admit that these partisans not only did not give their time to the public service for which they were paid, but that evidently he was helpless to compel them to do so."

Post Office Troubles of Long Standing

That this condition is not a recent development, but dates back into the distant past, is strikingly illustrated by the comments Postmaster-General Howe had to make with reference to it. In his report, dated November 18, 1882, with reference to salaries and allowances of third and fourth-class postmasters, now amounting to $25,000,000, he says:

"In theory these orders are made by the First Assistant Postmaster-General; in practice they are made by a fourth-class clerk in the office of the First Assistant. No matter by whom made, this distribution will not be well made. Finite intelligence could not make a wise and just allotment of such a fund; infinite intelligence can not be obtained in fourth-class clerks. Postmasters are eager for large allowances. The most importunate are apt to be best served. They ask earliest and oftenest. They employ every kind of entreaty, offer every kind of influence, personal and political."

And the report of the accountants of the Joint Commission on Business Methods of the Post Office, in commenting upon it, remarks that:

"There is still no standard by which the economical administration of a postoffice can be gauged. Appointments of postmasters are still made almost entirely for political reasons and not by reason of the applicant's ability or knowledge of the workings of the postal service. The criticisms made on the compensation of third and fourth class postmasters still apply to those of the fourth class. This report, reread after a lapse of twenty-five years, gives a striking illustration of the stagnation that has pervaded the whole administration and perpetuated defects which, even at that time, were so glaring as to need the strong condemnation meted out to it by the then Postmaster-General."

Shortness of Tenure the Rule in Post Office

This short and uncertain tenure of office of Postmasters General and their Assistants, including the postmasters of the larger cities,—this series of political gusts which is apt to blow them into office in one political wind, and blow them out in another, has so far made impossible the introduction of any radical and necessary reform; for although the person in office discovers the need, before he can effect the necessary change, political fortune sweeps him out of office again. Whatever progress in efficiency is claimed by one Postmaster-General

is disclaimed by his successor. You are all familiar, for instance, with the serious attempts Mr. Hitchcock made for his reform in his department. Just about the time he began fully to appreciate the true immensity of his task, a political change ended his Post Office career, and such progress as he claimed to have made was promptly repudiated by his successor. For instance, this is what Postmaster-General Burleson had to say about the work of the Department, in a statement given out to the public shortly after taking office:

"'The all-absorbing programme of the last Administration was the placing of the Post Office Department on a paying basis,' says the report. 'The policies pursued in the effort to succeed at this plan were overworked and resulted in defective administration and just criticism on the part of the public.

"'That efficiency and economy should be substituted for wastefulness and extravagance needs no argument, but the postal service affects so vitally the interests of the entire population of the country that economy which means a curtailment of postal facilities operates as a check to the social and industrial progress of the country. The people are entitled to the best facilities administered in the most efficient manner. That the facilities furnished during the last four years were not the best is clearly established by the facts.'"

Post Office Inertia

As illustrating the difficulty of securing any reform under present conditions, I would call your attention to a statement made by Mr. Fitzgerald, Chairman of the Commission on Appropriations, appearing in the *"Congressional Record"* under date of January 20, 1914, wherein he makes the following significant statement:

"The so-called Economy and Efficiency Commission to which the gentleman from Iowa refers, and for which perhaps he has more respect than I have, spent $260,000 in its work. I have challenged from time to time anyone to point to a single original recommendation which that commission has made which has resulted in the saving of a single dollar to the United States."

The impossibility of accomplishing, under present conditions, any improvement or reform in the service, is true of any of the Governmental Departments handled similarly to the Post Office Department. It is interesting, for instance, to note the report of Mr. French, who, under the administration of President Roosevelt, was commissioned to examine into the condition of the Government Printing office. Mr. French's statement, appearing in the *New York Times* under date of October 10, 1913, reads as follows:

"I never got beyond a preliminary report after about three weeks' work. The work was never finished. The expenditures committee faded away, when a new Congress came in, and there was nothing at all left as evidence that it had existed, except some incomplete and generally irrelevant papers somewhere in dusty pigeon-holes and sundry entries on the ledger of the disbursing clerk of the Senate. My report was among those dust-gathering papers. I doubt if any member of the committee ever read it. It was wholly abortive. My work was entirely useless. The money paid was absolutely wasted. The committee accomplished nothing, and I have often doubted if it ever intended or wished to accomplish anything. It is against the Washington idea to do anything to check expenditures. Yet I was able to show that at least $1,500,000 a year could be saved in the operating of the Government Printing Office, without disturbing the condition of the workers as to their pay or privileges."

Encouragement of Permanency in Private Enterprise

Efficiency, under such circumstances, is, of course, impossible. Permanency and continuity of personnel are essential to the very heart of an enterprise, and it is precisely because private enterprise recognizes and enforces this principle, that it is so much better equipped than public enterprises to produce satisfactory results. As emphasizing this effort on the part of the corporation to make for loyalty, efficiency and permanency in its personnel, I wish to bring out the treatment of the employees of the telephone interests, in the adoption of its magnificent pension, sickness, disability and insurance plan. The entire plan, aside from the accident feature, which, of course does not take tenure into consideration, is arranged with a view to encouraging and rewarding permanency in employment. The plan provides for the care of employees during sickness and accident, and the pensioning of employees when they reach an age when they cannot render the service necessary to conduct the business of the company. It makes provision for the payment, to the beneficiary, of insurance in cases where the employees die after five years in the company's service,—all of this, without any contribution on the part of the employee other than faithful and conscientious service. The amount of the payments increases with the term of employment. Contrast this with the treatment by the Government of its postal employees. Although continually agitated, no adequate provision has been made for the relief or care of its employees. To refute any notion that the employees in the Government's service are not subject to all of the ills incurred in private employment, it is interesting to note the comment of Mr. Reilly on the floor of the House, as reported in the *"Congressional Record"* of January 16, 1914:

> "It was not until I became a member of this body that I learned that old worn-out letter carriers and other superannuated employees of the Government were not retired on part pay, but, on the contrary, were dismissed from the service when they could no longer keep up the pace. One of the first letters I received after being elected a Member of Congress was from an old postal employee, who had received an official notice from his postmaster informing him that he had been off duty the allotted number of days in the year allowed by the department and that his resignation would be accepted. The simple statement of that heart-broken man asking me to assist in having him kept on the rolls made my heart ache. He had spent 34 years of his life pounding the pavements in all kinds of weather and at all hours of the day and night, and was known and loved by the citizens of the community he served, composed of all classes and creeds and political affiliations. He had not only given the best years of his life to the Government in building up the Postal Service, but was at an age and in such a condition that he could not hope to find employment of any kind. He was in such financial straits that if thrown on the world he would have to depend on the bounty of relatives or friends, or else become a public charge."

And in the same issue of the *"Record"* we find the following statement by Mr. Griffen:

> "The employees in the Postal Service, and particularly the city and rural carriers, post-office clerks, and laborers, are paid only for the actual time they are employed. When overtaken by sickness or if they meet with an accident and become incapacitated for duty their pay ceases at once. It matters not if an accident was caused by the grossest negligence on the part of the Govern-

ment, these employees have no redress for damages, not even for the loss of salary. They are laid off without pay until they are able to assume their official duties, and should the sickness or accident be of a nature to confine them for a period of more than 150 days they are notified to hand in their resignation, because a department rule provides that no employee will be excused for a longer period, no matter what the cause may be. * * * And now, Mr. Chairman, what is the reward for these men and women who give the best years of their lives to the public service? Well, it is hard for me to say it, because I detest ingratitude, governmental or otherwise, these employees are forced to resign when they become superannuated, unceremoniously kicked out, and told that they are inefficient and can no longer do the work required of them—outlived their usefulness. It is one of the saddest incidents of our governmental life. Thrown out with the flotsam and jetsam of humanity who have no aim or object in life, because years of ardent labor have used up their energy and vitality. Yes, Mr. Chairman, like an obsolete piece of machinery or a broken piston rod, they are thrown on the scrap heap."

How, under these circumstances, can we expect that the efficiency of the Postal Service will in any way approach the present efficiency of the telephone company?

Permanency of Plan Through Continuous Financing

But there is another and very important fundamental difference in the method of management which distinguishes public enterprise from private, and that is, Permanency of plan and purpose through a proper scheme of financing. No enterprise under the sun can be run with a proper regard for the needs of the service, unless there be a continuity of plan and scheme of financing which will not only take care of the present immediate needs, but which will look far enough into the future to assure constant readiness on the part of the utility to serve the needs of those coming after.

There is on file in the Engineering Department of the Bell System, and there is a large corps of employees constantly engaged in the work, a comprehensive series of plans which are known as fundamental development plans. They cover every city of the country in which the system operates, and the studies from these plans anticipate and make provision for growth for 10, 20 and, in some cases, 30 years in advance. The service which is to-day being rendered in many of our cities has been made possible only because, years ago, plans were made, and rigorously followed up by the necessary investment, throughout a continuous period. As an example of anticipating future needs, and as controverting the notion that we have reached the end of our development, there are under way to-day studies and preparations for the future, directed by a staff of 550 expert engineers, scientists, former professors, post graduates, students and scientific investigators, the graduates of over 70 universities. The budget for this year calls for the expenditure of upwards of Sixty Million Dollars for the additions to and betterment in the plant, and provisions have been made to take care of the physical and financial side of the telephone needs of the country for the next year, the year following, and so on, and when the time arrives for the maturing of these plans, there is an *absolute certainty* that these plans will be followed by the necessary investment and by the necessary execution.

Familiar Log-Rolling Methods of Public Enterprises

Contrast this with the way in which public enterprises are financed in this country. Congress, upon assembling each year in December, receives a "Letter from the Secretary of the Treasury." This "letter" is a document of no mean bulk, full of statistics purporting to show how much money the government will have to spend during the coming year to run its business. The document is technically referred to as the Annual Estimates. Now, no Congressman imagines for a minute that these estimates represent the Secretary of the Treasury's mature and deliberate judgment of what it should cost to run the Government for the coming year. Every Congressman knows just how the formidable array of statistics presented to Congress was got up. He knows that the imposing tables of figures were prepared by the various departments at the beginning of their various tasks shortly after July 1st; that the bureaus proceeded solely upon the basis of the current year to guess at their probable needs for a financial year which was not to begin for twelve months to come, and not to end until almost two calendar years had elapsed after the time when the work on the estimates began. He knows, what is more, that the Secretary of the Treasury has practically no say whatever in getting up the estimates,—that, for instance, if the War Department should multiply or divide by ten its previous estimate for river and harbor expenditure, the Secretary must remain silent, and embody the estimate in his "letter."

Running the Appropriation Gauntlet

It is not surprising, therefore, that when the estimates are passed on to the House Appropriation Committees, they are treated as a mere collection of guesses, not to be taken seriously, and to be used as a guide—the roughest of guides—only when political considerations are absent. But political considerations are rarely absent. Only too often, when the needs of a service have become exceedingly pressing, special estimates are compiled after long and scientific study, after laborious and expensive research, to be lightly tossed aside by the Appropriation Committee, because political expediency at the time happens to run counter to the needs of the service. But this is not all. When the nominal needs of the service have adventured through the committees and are presented to the House, they are subjected to the fire of new influences, new opinions, new and extended possibilities of political pressure. And when, in their modified, battered or distorted form, they have pased through the House, they must run the gauntlet of the Senate. Then the Executive approves or disapproves.

The results, of course, are natural. Take a few simple illustrations —actual occurrences in the Post Office Department:

A printing plant in Cincinnati, Ohio, belonging to the City Post Office, shuts up shop. There is plenty of work on hand to keep it busy. But the appropriation happens to have run out. Result: No work for a considerable period—but the salaries of the employees run on as usual, to be paid months later, when a new appropriation can be secured.

Two time-recording clocks in New York City, belonging to the Post Office Department, lie idle for months. Reason: The appropriation has run out. Ten dollars would probably repair the clocks. But not a cent can be spent on the clocks until, several months later, an appropriation can be secured.

The traveling railway mail officials charged with investigating the postal efficiency in the various parts of the country are forced to stop work before the close of the year. Reason: The appropriation has run out. And the salaries are later collected by the officials for the work they didn't and couldn't do.

Uncertainty of Appropriation Bills Constant Menace

These are only a few of the minor illustrations of what is taking place, on a vastly larger scale, in practically every Government Department. Under our system of government, a small majority of either house, or the Executive, may, by cutting off financial support, starve or temporarily paralyze any important public need. Take so vital a branch of government activity as the Federal Civil Service Commission. Not only its vigorous administration, but its very existence, is being threatened annually, not by the repeal of the law under which it exists, —for that would not be tolerated by the sentiment of the country,— but by a small crowd in one house temporarily securing sufficient power to jeopardize its fiscal support. It takes constant lobbying on the part of its friends to keep it from this form of submersion. This is even true of State Legislatures. In the State of Colorado, a few years ago, the Civil Service Commission was absolutely abolished by a failure of the Legislature to provide the necessary appropriation. The recent failure of Congress to appropriate money for the Secretary of War with which to equip the militia with artillery, is another case in point. Picture Mr. Potter going down to Washington and pleading with the Government for a new telephone office on the assumption that he is going to get it, and the Government telling him, "No, Mr. Potter, you will have to wait a while, because the program for this year is five battleships."

Why only recently in a debate in Congress, Mr. Mapes called the attention of the Chairman to the deplorable condition existing in the Supervising Architect's Office, as a result of this financial constriction which obtains in our fiscal system. I quote from the *Congressional Record* of April 7, 1914, pp. 6807 ff.:

> "Mr. Mapes: Mr. Chairman, I desire to call attention to a few facts in regard to the work of the Supervising Architect's Office. The question of the gentleman from New York is answered very definitely in the hearings—page 106—by the Supervising Architect. It appears from the hearings that the office is behind from five to six years in its work. It takes between three and four years from the time a building is authorized before the Supervising Architect's Office can even begin to prepare the plans and it takes about six years from the authorization of the building before the building is completed.
>
> "The appropriations for this office for the last few years furnish a striking illustration of the evil effects upon the public service of penny-wise and pound-foolish economy. The appropriation bill passed in 1911, after our friends on the other side of the aisle got control of the House, reduced the number of employees in the Supervising Architect's Office by 66, in spite of the fact that

the work of the office was far behind, the number of public buildings authorized was steadily increasing, and the work of the office was getting more and more behind as time went on. The inauguration of the parcel post made it necessary to enlarge old post-office buildings and to build new ones. The Architect's force should have been increased instead of decreased.

"Since that time the office has continued to get more and more behind in its work, until now it is practically six years behind. If no other public buildings were authorized, it would take six years for that office to catch up with the work already assigned to it. It takes from three to four years from the time a public building is authorized by Congress before the Supervising Architect's Office can even commence to give any consideration to the plans for it.

"The Supervising Architect, in the hearings before this committee, on page 106, says:

" 'The public-buildings act approved March 4, 1913, gave us about four years' work at our present rate of progress. We will not commence work on that bill for one and a half or two years. You might say that we have five and one-half or six years' work ahead of us.'

"Again, he says:

" 'That at our present rate of progress it will not be until the beginning of the calendar year of 1916 that we will commence work on the public buildings act, approved March 4, 1913.'

* * * * * * * * * *

"The Supervising Architect again, on page 107, says:

" 'We find that our clerical force available for the administrative work incident to the construction of new buildings is not in balance with the technical force. * * * It seems unwise to have so many buildings under construction when we are unable to handle the enormous correspondence and administrative work which naturally follows. Letters accumulate for two or three weeks before they receive attention and the work of construction is delayed; there is complaint all along the line, and we are criticized on the floor of the House. However, it is a condition that we cannot ameliorate under existing circumstances unless you can help us by this balancing of the force.'

"There is not a man here who would tolerate a system in his private business that made it necessary to hold up the progress of building operations for two or three weeks, as testified to by the Supervising Architect, on account of not having enough help to answer the correspondence promptly. It is unbusinesslike and wasteful in the extreme to allow such a condition of affairs to exist.

* * * * * * * * * *

"The distinguished chairman of the Committee on Public Buildings and Grounds, the gentleman from Florida (Mr. Clark), in a speech on the floor of the House on February 20 of this year, page 3985 of the Record, corroborates the statement of the Supervising Architect. * * *

" 'There is probably not a Member upon this floor who has been here for six years or more, unless he represents a district in one of our large cities, who has not a building authorized for his district which has been pending for three or four years and which to-day appears no nearer being built than it did the day the bill which provided for it passed Congress. Under the methods obtaining, after a building is authorized, the patience of the community is worn threadbare before construction on the foundation is begun. In one place in my district, where I secured an authorization for a post-office building, some of the older inhabitants are beginning to date things back to "the time when Clark got a building for us," and yet not a shovel of dirt has been thrown toward preparing for the foundation.'

"I do not know how far back into ancient history the act was passed authorizing the public building in his district to which the distinguished chairman of the Committee on Public Buildings and Grounds refers, but he has described a situation that exists all over the country, and yet the Supervising Architect's Office is obliged to get along with an inadequate force. The work continues to pile up and the public service continues to suffer."

Troubles of Foreign Governments

Nor is this condition peculiar to the United States. We find precisely the same principle operating in every foreign government. Take France, for example. The head of the telephone service will submit to the Chamber of Deputies a hundred chapters of minute and elaborate statistics. "We must have so and so many francs for construction and improvement, or the telephone service will continue to deteriorate." The appropriating body will receive the demand, and with it, perhaps, hundreds of chapters of statistics from other departments. Nearly 800 chapters are sometimes submitted by the twelve ministers who constitute the department heads in France. The Budget Committee is literally swamped with statistics. Even if the members were entirely free from political considerations, they could not possibly frame a proper business judgment on the needs of each service. The outcome is only natural. The telephone administration may ask for an appropriation of a hundred million francs to carry out a wise plan of construction and equipment, which would result in annual economies and bring the telephone service up to the requirements of the public. The call is simple: "A stitch in time, to save ninety and nine." But if the appropriation body considers it better, politically, to expend money for warships, or waterways, or public buildings, the telephone budget will be cut in two, and the Telephone Department must shift as best it can on "short rations." This may mean no rations at all, for a hundred millions may be an absolute minimum, without the expenditure of which the proposed construction would be useless. Year in and year out, the official Budget Reporter calls attention to this fatal gap between the public purse and the public plant, and efforts have been made in the past to beseech the Chambers of Commerce to supply the needed investment, because the money could not be obtained in time or at all, from the Government.

A striking example of the results of this policy is furnished by the case of the Gutenberg Exchange, Paris. After a dozen years of telephone stagnation—during which period there were years in which no telephone appropriations were made at all, and years when appropriations were so large that they could not be used before they were withdrawn—the Government installed the "common battery" system in the Gutenberg Exchange. This system had long since been adopted in America, but in France it was still regarded as a new improvement. No sooner was the system installed, than the French Government was warned that unless it provided connections of greater electrical capacity, it would have trouble from the higher voltage. But the warning fell on deaf ears. The Government felt that it had spent enough. The result was a conflagration, which completely reduced the exchange to junk and ashes, and left a large section of the city stranded without telephone communication.

It will be seen, therefore, that some radical change in our method of financing public enterprises—not to be accomplished in one day or one year—is necessary, before we can hope, in the management of our Post Office Department—to approach the efficiency and service af-

forded by private enterprise; some reform which will insure a complete freedom from the gusts of opposing policies—political or otherwise—some system which will provide a reasonable guaranty that deliberate and painstaking planning will be followed by equally deliberate and painstaking execution.

American Optimism Would Not Save Us from Fate of Europe

Of course, we quite naturally must take a great deal of pride in the achievements of American industry (the unfortunate exception being the advocates of Government ownership), and, when looking at our telephone development, it may be that some will say that if this Government undertakes an enterprise of this kind we can avoid, by experience, the pitfalls of foreign nations. However, to steer clear of this erroneous assumption, we only have to consider the wonderful progress which European nations have made in what everyone concedes to be purely governmental enterprises. Take the road-building of France, Germany, England, the canal construction, town planning, magnificent public buildings, drainage, etc., which have served as models for many of our State and municipal enterprises in this country. Consider the unfortunate experience in this country in similar undertakings, with charges of inefficiency, graft, etc., notably the canal and road-building, without mentioning any State. We thus see that, where the governments abroad have confined their efforts to governmental functions we may learn much from them, but where they have departed from that field and entered fields of private enterprise, they have dismally failed where we, retaining private management, have magnificently succeeded.

An Earnest Appeal to Mr. Lewis

In order that this and similar discussions may prove of some constructive value, I want to make an appeal to Mr. Lewis and his friends. Certainly, neither he nor any other right-thinking person, after considering what we have been discussing, would wish to plunge the country into an experiment which, if it should fail, would cripple the business interests and practically destroy any hope of a continuation of our magnificent growth. To remove, so far as possible, any element of danger, will they not at once start a movement for the establishment of efficient business in the Government service? Will they not do the very self-evident and proper thing; compel the adoption by the governmental departments of adequate and modern means of accounting so that every item of expense and income may have its proper place and be considered in determining the relative efficiency of departments one with the other, or with similar departments elsewhere? Will they not actively start a campaign to bring stability into the organization which has charge of our enormous governmental undertakings? Will they not try to make merit alone a determining factor in promoting new officials and retaining old ones?

In doing this, they will have the support of every conservative person and interest in the country, particularly organizations such as the

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Providence Economic Club and the Merchants' Association of New York, which, at present, occupies a peculiar position. That organization was foremost in its determination to secure a revision in the express rates, and, under our magnificent plan of governmental control, secured relief for the business interests of the country in the promulgation by the Interstate Commerce Commission of a new rate schedule and zone system. That same organization was strong in its support of Mr. Lewis and others in connection with the adoption by the Government of the parcels post feature of our postal system. They readily recognized the proper place for this new and valuable service. But that same organization is to-day waging an active fight to prevent the absolute destruction of the express system,—a service which is needed by every business interest in the country. That same organization is to-day waging this same campaign which we are asking Mr. Lewis, with his great ability, to father, namely, one which will result in the elimination of ignorance and guess in measuring the true results of postal operations, whereby the service may be reconstructed and placed upon a modern and efficient basis.

The Time to Seriously Consider the Question

When Mr. Lewis and his friends have brought about the result that the Post Office Department of this country is managed on an economical and scientific basis; when the Postmaster-General is secure in his tenure, so long as he is efficient and active; when his subordinates are appointed solely on account of ability; when they are retained and promoted as a reward for faithful service; when the Government has adopted a fair and equitable scheme of pension and benefits for its employees; and when the Government has brought about a condition where appropriations are made the result of careful and conscientious study by its officers, and not, as at present, made a football for ambitious and unscrupulous politicians, subject to all of the evils of log-rolling and political bickering,—then, I say, and not until then, will we be in a position for a proper and judicious discussion of the effect of so radical a movement as Mr. Lewis proposes. At that time we, as employees, will have no objection to the serious consideration of such a question, perfectly secure in the thought that this service, the thing we are all striving for, will be reasonably safe.

President Wilson's Conservative Position

As showing that the task I am asking Mr. Lewis and his friends to assume is worthy of his mettle, I want to quote from President Woodrow Wilson, in his work, "The State":

> "But the proposition that the government should control such dominating organizations of capital may by no means be wrested to mean by any necessary implication that the government should itself administer those instrumentalities of economic action, which cannot be used except as monopolies. Government regulation may in most cases suffice. Indeed, such are the difficulties in the

way of establishing and maintaining careful business management on the part of the government that control ought to be preferred to direct administration in as many cases as possible—in every case in which control without administration can be made effectual."

I feel confident that the "difficulties in the way of establishing and maintaining careful business management on the part of the Government" will not prevent our good friend Mr. Lewis from tackling the problem, and I wish to say that if he is a big enough man, should he fail in his efforts to establish proper business management on behalf of the department to which he wishes to entrust the future of this important industry, he would undoubtedly be the first to demand that further attempts at extending the functions of the Post Office Department be suspended until, with the support of some new movement, there is first established such efficiency in management on the part of the Government as will insure continuance of "good service"—the thing which alone counts. Gentlemen, I thank you.

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